

**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2016

CINDI HENRY, FINANCE DIRECTOR



Dave Yost • Auditor of State

City Council
City of St. Clairsville
100 North Market Street
St. Clairsville, Ohio 43850

We have reviewed the *Independent Auditor's Report* of the City of St. Clairsville, Belmont County, prepared by Julian & Grube, Inc., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of St. Clairsville is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 25, 2017

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**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

City of St. Clairsville
Belmont County
100 North Market Street
St. Clairsville, Ohio 43950

To the Members of Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Clairsville, Belmont County, Ohio, as of and for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the City of St. Clairsville's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City of St. Clairsville's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City of St. Clairsville's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Clairsville, Belmont County, Ohio, as of December 31, 2016, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparisons for the General Fund and the Police Fund, a major special revenue fund, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liability and pension contributions, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2017, on our consideration of the City of St. Clairsville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of St. Clairsville's internal control over financial reporting and compliance.



Julian & Grube, Inc.
June 22, 2017

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

The discussion and analysis of the City of St. Clairsville's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2016. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- In total, net position increased \$1,896,966.
- General revenues for governmental activities accounted for \$2,954,787 or approximately 50 percent of total revenues. Program specific revenues in the form of charges for services, operating grants, contributions, and interest, and capital grants and contributions accounted for \$2,939,730 or approximately 50 percent of total revenues in the amount of \$5,894,517.
- Total assets of governmental activities increased \$2,100,379 primarily due to capital asset additions, and increases in revenue in lieu of taxes receivable. Total liabilities of governmental activities increased \$465,144, primarily due to increases in net pension liability.
- The City had \$3,834,855 in expenses related to governmental activities; only \$2,939,730 of which was offset by program specific charges for services, operating grants, contributions, and interest, and capital grants and contributions. General revenues in the amount of \$2,954,787 were adequate to provide for these programs.
- Total governmental funds had \$3,573,693 in revenues and \$3,471,998 in expenses. Overall, including other financing sources and uses, total governmental fund balance increased \$104,170.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City of St. Clairsville as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and concerns.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the City of St. Clairsville as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

These two statements report the City's net position and the changes in net position. This change in net position is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, nonfinancial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities:

Governmental Activities - Most of the City's services are reported here including police, administration, and all departments with the exception of the Water, Sewer and Light Funds. Included with the governmental activities of the City is the Community Improvement Corporation, a legally separate entity, presented as a blended component unit in accordance with GASB Statement Numbers. 14, 39, and 61.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or most of the cost of the services provided. The County's Water, Sewer, and Light systems are reported here.

Reporting the City of St. Clairsville's Most Significant Funds

Fund Financial Statements

Fund financial statements begin on page 18. Fund financial reports provide detailed information about the City's major funds. Based upon restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the City's most significant funds. The City of St Clairsville's major funds are the General Fund, Police Special Revenue Fund, the Permanent Improvement Capital Projects Fund, and the Water, Sewer, and Light Proprietary Funds.

Governmental Funds Most of the City's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled as part of the financial statements.

Proprietary Funds When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

The City of St. Clairsville as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2016 compared to 2015:

	Net Position					
	Governmental Activities		Business-Type Activities		Totals	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Assets						
Current and						
Other Assets	\$5,124,478	\$4,681,276	\$4,181,801	\$4,011,935	\$9,306,279	\$8,693,211
Capital Assets, Net	11,725,709	10,068,532	17,340,592	16,674,277	29,066,301	26,742,809
Total Assets	<u>16,850,187</u>	<u>14,749,808</u>	<u>21,522,393</u>	<u>20,686,212</u>	<u>38,372,580</u>	<u>35,436,020</u>
Deferred Outflows of Resources						
Deferred Charge						
on Refunding	4,758	0	177,593	0	182,351	0
Pension	692,587	248,575	558,319	184,989	1,250,906	433,564
Total Deferred Outflows of Resources	<u>697,345</u>	<u>248,575</u>	<u>735,912</u>	<u>184,989</u>	<u>1,433,257</u>	<u>433,564</u>
Liabilities						
Current Liabilities	102,172	89,888	602,691	559,527	704,863	649,415
Long-Term Liabilities						
Due within One Year	49,735	65,309	405,298	284,565	455,033	349,874
Due in More Than One Year:						
Net Pension Liability	2,242,399	1,678,241	1,466,876	1,053,342	3,709,275	2,731,583
Other Amounts	433,395	529,119	5,918,935	5,271,027	6,352,330	5,800,146
Total Liabilities	<u>2,827,701</u>	<u>2,362,557</u>	<u>8,393,800</u>	<u>7,168,461</u>	<u>11,221,501</u>	<u>9,531,018</u>
Deferred Inflows of Resources						
Property Taxes	1,051,633	994,053	0	0	1,051,633	994,053
Payment in Lieu of Taxes	236,897	0	0	0	236,897	0
Pension	35,253	11,831	49,410	18,505	84,663	30,336
Total Deferred Inflows of Resources	<u>1,323,783</u>	<u>1,005,884</u>	<u>49,410</u>	<u>18,505</u>	<u>1,373,193</u>	<u>1,024,389</u>
Net Position						
Net Investment						
in Capital Assets	11,373,032	9,635,278	11,287,350	12,235,271	22,660,382	21,870,549
Restricted	2,004,503	1,893,810	47,548	0	2,052,051	1,893,810
Unrestricted (Deficit)	18,513	100,854	2,480,197	1,448,964	2,498,710	1,549,818
Total Net Position	<u>\$13,396,048</u>	<u>\$11,629,942</u>	<u>\$13,815,095</u>	<u>\$13,684,235</u>	<u>\$27,211,143</u>	<u>\$25,314,177</u>

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

The significant increase in total deferred outflow of resources in 2016, for both governmental and business-type activities, was due to an increase in the difference between projected and actual earnings on investments related to the City's net pension liability for OPERS.

Total assets of governmental activities increased \$2,100,379. Current and other assets increased \$443,202 primarily due to increases in cash and cash equivalents and revenue in lieu of taxes receivable related to City's tax increment financing ordinance. Capital assets increased \$1,657,177 primarily due to capital asset additions for the capital contributions of a roadway from the Belmont County Transportation Improvement District, which were offset slightly by annual depreciation.

Overall, total liabilities of governmental activities increased \$465,144. Current liabilities increased \$12,284, primarily due to increases in intergovernmental payables. Long-term liabilities increased \$452,860 primarily due to an increase in net pension liability. The net pension liability increase represents the City's proportionate share of the OPERS traditional plan's unfunded benefits. As indicated above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability.

Total assets of business-type activities increased \$836,181. Current and other assets increased slightly, in the amount of \$169,866. Capital assets increased \$666,315 primarily due to capital assets additions for Sewer Fund construction-in-progress and vehicle additions.

Overall, total liabilities of business-type activities increased \$1,225,339. Current liabilities increased slightly by \$43,164. Long-term liabilities increased \$1,182,175 primarily due to drawdowns on the OWDA loan and increases in the net pension liability. The net pension liability increase represents the City's proportionate share of the OPERS traditional plan's unfunded benefits. As indicated above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability. The increase in long-term liabilities was offset by savings resulting from the City's issuance of refunding bonds in 2016.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2016 and 2015.

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues:						
Charges for Services	\$328,380	\$299,243	\$6,990,667	\$6,927,030	\$7,319,047	\$7,226,273
Operating Grants, Contributions, and Interest	321,350	358,027	0	0	321,350	358,027
Capital Grants	2,290,000	440,778	400,000	0	2,690,000	440,778
Total Program Revenues	2,939,730	1,098,048	7,390,667	6,927,030	10,330,397	8,025,078
General Revenues:						
Property Taxes	993,692	953,428	0	0	993,692	953,428
Income Taxes	1,490,688	1,144,062	0	0	1,490,688	1,144,062
Kilowatt per Hour Taxes	182,176	201,855	0	0	182,176	201,855
Grants and Entitlements	173,472	170,534	0	0	173,472	170,534
Investment Earnings	36,378	44,016	0	0	36,378	44,016
Oil and Gas Lease Bonus	0	1,474,252	0	0	0	1,474,252
Miscellaneous	78,381	71,763	55,149	70,304	133,530	142,067
Total General Revenues	2,954,787	4,059,910	55,149	70,304	3,009,936	4,130,214
Total Revenues	5,894,517	5,157,958	7,445,816	6,997,334	13,340,333	12,155,292
Program Expenses						
General Government						
Legislative and Executive	596,603	333,251	0	0	596,603	333,251
Judicial	0	1,975	0	0	0	1,975
Security of Persons and Property						
Police	1,249,315	1,114,026	0	0	1,249,315	1,114,026
Public Health Services	33,268	29,459	0	0	33,268	29,459
Leisure Time Services	497,645	537,919	0	0	497,645	537,919
Community and Economic Development	104,669	125,386	0	0	104,669	125,386
Transportation	1,349,257	429,971	0	0	1,349,257	429,971
Interest and Fiscal Charges	4,098	8,244	0	0	4,098	8,244
Water	0	0	1,095,660	1,299,184	1,095,660	1,299,184
Sewer	0	0	1,211,462	1,004,476	1,211,462	1,004,476
Light	0	0	5,301,390	4,837,436	5,301,390	4,837,436
Total Expenses	3,834,855	2,580,231	7,608,512	7,141,096	11,443,367	9,721,327
Increase (Decrease)						
Before Transfers	2,059,662	2,577,727	(162,696)	(143,762)	1,896,966	2,433,965
Transfers	(293,556)	(319,293)	293,556	319,293	0	0
Change in Net Position	1,766,106	2,258,434	130,860	175,531	1,896,966	2,433,965
Net Position Beginning of Year	11,629,942	9,371,508	13,684,235	13,508,704	25,314,177	22,880,212
Net Position End of Year	\$13,396,048	\$11,629,942	\$13,815,095	\$13,684,235	\$27,211,143	\$25,314,177

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

Governmental Activities

Several revenue sources fund governmental activities, with the City income tax usually being the largest source. The income tax rate is 0.75 percent. Property taxes are the second largest revenue source for the City. Income taxes and property taxes represent approximately 42 percent of total revenue.

Overall, charges for services, and operating grants, contributions, and interest for governmental activities were essentially unchanged from 2015. The increase in capital grants and contributions is primarily due to capital contribution to the City from the Belmont County Transportation Improvement District.

Program expenses of governmental activities increased \$1,254,624 from 2015. The increase was primarily due to increases in Street Fund activity, as well as annual depreciation exceeding capital outlays in 2016.

Security of persons and property – police accounted for the second largest share of governmental expenses for the City, approximately 33 percent in 2016. Leisure time services accounted for 13 percent of governmental expenses in 2016.

Other program expenses for the City in 2016 were made up of general government – legislative and executive, community and economic development, and public health services, cumulatively accounted for less than 20 percent

Table 3, for governmental activities, indicates the total cost of services and the net cost of services. The Statement of Activities reflects the cost of program service and the program revenues which offset those services. The net cost of services identifies the cost of those services supported by income taxes, property taxes, unrestricted intergovernmental revenues, and other general revenues.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
General Government				
Legislative and Executive	\$596,603	\$333,251	\$432,349	\$184,764
Judicial	0	1,975	(3,696)	560
Security of Persons and Property				
Police	1,249,315	1,114,026	1,124,070	980,783
Public Health Services	33,268	29,459	33,268	29,459
Leisure Time Services	497,645	537,919	387,907	(6,455)
Community and				
Economic Development	104,669	125,386	104,669	110,780
Transportation	1,349,257	429,971	(1,187,540)	174,048
Interest and Fiscal Charges	4,098	8,244	4,098	8,244
Total Expenses	\$3,834,855	\$2,580,231	\$895,125	\$1,482,183

For 2016 approximately 23 percent of expenses were supported through taxes and other general revenues.

Business-Type Activities

Business-type activities include water, sewer and light operations. The major source of revenue for these funds is charges for services, accounting for \$6,990,667 or approximately 95 percent of total business-type revenues.

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

The City's Funds

Information about the City's governmental funds begins on page 18. The City has three major governmental funds, the General Fund, the Police Special Revenue funds, and the Permanent Improvement Capital Projects Fund. These funds are accounted for using the modified accrual method of accounting. The General Fund had \$1,787,950 in revenues and \$647,138 in expenditures. Overall, including other financing uses, the General Fund's balance increased \$78,638. The Police Fund had \$642,052 in revenues and \$1,194,900 in expenditures. Overall, including other financing sources, the Police Fund's balance increased \$241,777. The Permanent Improvement Fund had \$744,171 in revenues and \$702,504 in expenditures, which resulted in fund balance increase of \$41,667.

Information about the proprietary funds starts on page 24. The City has three major proprietary funds, the Water, Sewer, and Light funds. These funds are accounted for on an accrual basis. The Water Fund had operating revenues in the amount of \$879,650 and operating expenses in the amount of \$1,088,028. Overall, including non-operating expenses and capital contributions, the Water Fund's net position increased \$21,959. The Sewer Fund had operating revenues in the amount of \$844,181 and operating expenses in the amount of \$1,199,929. Overall, including non-operating expenses and capital contributions, the Sewer Fund's net position decreased \$11,466. The Light Fund had operating revenues in the amount of \$5,321,985 and operating expenses in the amount of \$5,129,713. Overall, including non-operating expenses and capital contributions, the Light Fund's net position increased \$120,367.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of 2016, the City amended its General Fund budget and the budgetary statement reflects original and final budgeted amounts. Original and final budgeted appropriations varied as budgeted general government – legislative executive expenditures and budgeted transfers out increased. The variance between final budget and actual operations reflected less revenue than estimated, coupled with actual spending in all programs being less than appropriated.

Capital Assets and Debt Administration

Capital Assets

At the end of year 2016, the City's governmental and business-type activities had \$29,066,301 in land, land improvements, buildings and improvements, machinery and equipment, infrastructure, and vehicles, net of depreciation. Table 4 shows 2016 balances compared with 2015.

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

Table 4
Capital Assets Net of Depreciation

	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$1,360,478	\$1,360,478	\$305,596	\$305,596	\$1,666,074	\$1,666,074
Construction In Progress	0	0	890,128	0	890,128	0
Land Improvements	2,545,124	2,729,782	40,300	42,259	2,585,424	2,772,041
Buildings and Improvements	298,466	320,730	1,092,906	1,163,747	1,391,372	1,484,477
Machinery and Equipment	101,539	60,838	829,552	740,982	931,091	801,820
Infrastructure	7,212,795	5,446,821	13,648,387	14,129,195	20,861,182	19,576,016
Vehicles	207,307	149,883	533,723	292,498	741,030	442,381
Total	\$11,725,709	\$10,068,532	\$17,340,592	\$16,674,277	\$29,066,301	\$26,742,809

See Note 9 for more information on capital assets.

Debt

The outstanding debt for the governmental and business-type activities of the City of St. Clairsville as of December 31, 2016 was \$6,601,911 with \$432,047 due within one year. Table 5 summarizes outstanding debt.

Table 5
Outstanding Debt at Year End

	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$87,023	\$85,000	\$5,133,571	\$5,216,876	\$5,220,594	\$5,301,876
OPWC Loans	257,284	276,167	220,563	244,706	477,847	520,873
OWDA Loans	0	0	890,128	0	890,128	0
Capital Leases	13,342	38,717	0	0	13,342	38,717
Total	\$357,649	\$399,884	\$6,244,262	\$5,461,582	\$6,601,911	\$5,861,466

Additional information concerning the City's debt and other long-term obligations, including net pension liability, compensated absences, and long-term intergovernmental payables can be found in Note 15.

Current Finance Related Issues

The City implemented a 0.75 percent income tax in 2011, in an effort to recover the loss of revenue that the City has experienced due to the reduction of Local Government Funding from the State, the elimination of Estate Tax, and the elimination of Personal Property Tax.

City of St. Clairsville
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

Contacting the City's Finance Department

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Cindi Henry, Finance Director, 100 North Market Street, St. Clairsville, Ohio 43950.

BASIC FINANCIAL STATEMENTS

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**City of St. Clairsville
Statement of Net Position
December 31, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$2,240,391	\$2,635,296	\$4,875,687
Cash and Cash Equivalents in Segregated Accounts	31,079	495,350	526,429
Accounts Receivable	29,096	512,197	541,293
Income Taxes Receivable	623,340	0	623,340
Intergovernmental Receivable	241,947	300,000	541,947
Property Taxes Receivable	1,060,481	0	1,060,481
Revenue in Lieu of Taxes Receivable	236,897	0	236,897
Materials and Supplies Inventory	19,694	226,071	245,765
Loans Receivable	608,384	0	608,384
Unamortized Bond Insurance Premium	214	12,887	13,101
Assets Held for Resale	32,955	0	32,955
Nondepreciable Capital Assets	1,360,478	1,195,724	2,556,202
Depreciable Capital Assets, Net	10,365,231	16,144,868	26,510,099
<i>Total Assets</i>	<u>16,850,187</u>	<u>21,522,393</u>	<u>38,372,580</u>
<u>Deferred Outflows of Resources</u>			
Deferred Charge on Refunding	4,758	177,593	182,351
Pension	692,587	558,319	1,250,906
<i>Total Deferred Outflows of Resources</i>	<u>697,345</u>	<u>735,912</u>	<u>1,433,257</u>
<u>Liabilities</u>			
Accounts Payable	23,096	365,207	388,303
Accrued Wages and Benefits Payable	16,227	14,715	30,942
Intergovernmental Payable	61,981	49,500	111,481
Accrued Interest Payable	868	12,772	13,640
Refundable Deposits	0	160,497	160,497
Long-Term Liabilities:			
Due Within One Year	49,735	405,298	455,033
Due in More Than One Year:			
Net Pension Liability	2,242,399	1,466,876	3,709,275
Other Amounts	433,395	5,918,935	6,352,330
<i>Total Liabilities</i>	<u>2,827,701</u>	<u>8,393,800</u>	<u>11,221,501</u>
<u>Deferred Inflows of Resources</u>			
Property Taxes	1,051,633	0	1,051,633
Payment in Lieu of Taxes	236,897	0	236,897
Pension	35,253	49,410	84,663
<i>Total Deferred Inflows of Resources</i>	<u>1,323,783</u>	<u>49,410</u>	<u>1,373,193</u>
<u>Net Position</u>			
Net Investment in Capital Assets	11,373,032	11,287,350	22,660,382
Restricted for:			
Debt Service	0	47,548	47,548
Capital Outlay	534,843	0	534,843
Community Development	872,119	0	872,119
Police Operations	208,160	0	208,160
Street	252,634	0	252,634
Recreation	113,072	0	113,072
Other Purposes	23,675	0	23,675
Unrestricted	18,513	2,480,197	2,498,710
<i>Total Net Position</i>	<u>\$13,396,048</u>	<u>\$13,815,095</u>	<u>\$27,211,143</u>

See accompanying notes to the basic financial statements

**City of St. Clairsville
Statement of Activities
For the Year Ended December 31, 2016**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities</u>				
General Government				
Legislative and Executive	\$596,603	\$164,254	\$0	\$0
Judicial	0	3,696	0	0
Security of Persons and Property - Police	1,249,315	50,692	74,553	0
Public Health Services	33,268	0	0	0
Leisure Time Services	497,645	109,738	0	0
Community and Economic Development	104,669	0	0	0
Transportation	1,349,257	0	246,797	2,290,000
Interest and Fiscal Charges	4,098	0	0	0
<i>Total Governmental Activities</i>	<u>3,834,855</u>	<u>328,380</u>	<u>321,350</u>	<u>2,290,000</u>
<u>Business-Type Activities</u>				
Water	1,095,660	865,651	0	200,000
Sewer	1,211,462	840,486	0	200,000
Light	5,301,390	5,284,530	0	0
<i>Total Business-Type Activities</i>	<u>7,608,512</u>	<u>6,990,667</u>	<u>0</u>	<u>400,000</u>
<i>Total Primary Government</i>	<u>\$11,443,367</u>	<u>\$7,319,047</u>	<u>\$321,350</u>	<u>\$2,690,000</u>

General Revenues

Property Taxes Levied for General Purposes
Property Taxes Levied for Police Operations
Income Taxes Levied for General Purposes
Income Taxes Levied for Capital Outlay
Kilowatt per Hour Tax Levied for General Purposes
Grants and Entitlements not Restricted to Specific Programs
Gifts and Donations
Investment Earnings
Miscellaneous

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position
Primary Government

Governmental Activities	Business-Type Activities	Total
(\$432,349)	\$0	(\$432,349)
3,696	0	3,696
(1,124,070)	0	(1,124,070)
(33,268)	0	(33,268)
(387,907)	0	(387,907)
(104,669)	0	(104,669)
1,187,540	0	1,187,540
(4,098)	0	(4,098)
<u>(895,125)</u>	<u>0</u>	<u>(895,125)</u>
0	(30,009)	(30,009)
0	(170,976)	(170,976)
0	(16,860)	(16,860)
<u>0</u>	<u>(217,845)</u>	<u>(217,845)</u>
<u>(895,125)</u>	<u>(217,845)</u>	<u>(1,112,970)</u>
485,307	0	485,307
508,385	0	508,385
745,345	0	745,345
745,343	0	745,343
182,176	0	182,176
173,472	0	173,472
13,305	0	13,305
36,378	0	36,378
65,076	55,149	120,225
<u>2,954,787</u>	<u>55,149</u>	<u>3,009,936</u>
<u>(293,556)</u>	<u>293,556</u>	<u>0</u>
2,661,231	348,705	3,009,936
1,766,106	130,860	1,896,966
<u>11,629,942</u>	<u>13,684,235</u>	<u>25,314,177</u>
<u>\$13,396,048</u>	<u>\$13,815,095</u>	<u>\$27,211,143</u>

**City of St. Clairsville
Balance Sheet
Governmental Funds
December 31, 2016**

	General	Police	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$826,291	\$262,234	\$237,889	\$898,409	\$2,224,823
Cash and Cash Equivalents in Segregated Accounts	0	0	0	31,079	31,079
Accounts Receivable	29,096	0	0	0	29,096
Intergovernmental Receivable	84,172	37,318	0	120,457	241,947
Income Taxes Receivable	311,670	0	311,670	0	623,340
Materials and Supplies Inventory	0	5,919	0	13,775	19,694
Interfund Receivable	68,561	0	0	0	68,561
Property Taxes Receivable	504,173	556,308	0	0	1,060,481
Revenue in Lieu of Taxes Receivable	0	0	0	236,897	236,897
Loans Receivable	0	0	0	608,384	608,384
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	15,568	0	0	0	15,568
Assets Held for Resale	0	0	0	32,955	32,955
<i>Total Assets</i>	<u>\$1,839,531</u>	<u>\$861,779</u>	<u>\$549,559</u>	<u>\$1,941,956</u>	<u>\$5,192,825</u>
<u>Liabilities</u>					
Accounts Payable	\$7,072	\$656	\$14,716	\$652	\$23,096
Accrued Wages and Benefits Payable	2,166	8,750	0	5,311	16,227
Intergovernmental Payable	17,250	31,131	0	13,600	61,981
Interfund Payable	0	0	0	68,561	68,561
<i>Total Liabilities</i>	<u>26,488</u>	<u>40,537</u>	<u>14,716</u>	<u>88,124</u>	<u>169,865</u>
<u>Deferred Inflows of Resources</u>					
Property Taxes	500,014	551,619	0	0	1,051,633
Payment in Lieu of Taxes	0	0	0	236,897	236,897
Unavailable Revenue	275,571	42,007	208,128	79,999	605,705
<i>Total Deferred Inflows of Resources</i>	<u>775,585</u>	<u>593,626</u>	<u>208,128</u>	<u>316,896</u>	<u>1,894,235</u>
<u>Fund Balances</u>					
Nonspendable:					
Materials and Supplies Inventory	0	5,919	0	13,775	19,694
Unclaimed Monies	15,568	0	0	0	15,568
Restricted for:					
Capital Outlay	0	0	326,715	0	326,715
Community Development	0	0	0	872,119	872,119
Police Operations	0	221,697	0	0	221,697
Street	0	0	0	175,051	175,051
Recreation	0	0	0	123,581	123,581
Other Purposes	0	0	0	8,107	8,107
Committed to:					
Capital Projects	0	0	0	379,909	379,909
Unassigned (Deficit)	1,021,890	0	0	(35,606)	986,284
<i>Total Fund Balances</i>	<u>1,037,458</u>	<u>227,616</u>	<u>326,715</u>	<u>1,536,936</u>	<u>3,128,725</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$1,839,531</u>	<u>\$861,779</u>	<u>\$549,559</u>	<u>\$1,941,956</u>	<u>\$5,192,825</u>

See accompanying notes to the basic financial statements

City of St. Clairsville
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
December 31, 2016

Total Governmental Fund Balances		\$3,128,725
<i>Amounts reported for governmental activities on the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		11,725,709
Other long-term assets are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds:		
Property Taxes	8,848	
Income Taxes	416,256	
Intergovernmental	180,601	
Total		605,705
Unamortized bond insurance premiums do not provide current financial resources, and therefore are not reported in the funds.		214
The unamortized portion of the difference on refunding represents deferred charges on refunding, which are not reported in the funds.		4,758
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(868)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
General Obligation Bonds	80,000	
Bond Premium	7,023	
OPWC Loans Payable	257,284	
Capital Leases	13,342	
Compensated Absences	125,481	
Total		(483,130)
The net pension liability is not due and payable in the current period; therefore the liability and related deferred inflows/outflows are not reported in the governmental funds.		
Deferred Outflows - Pension	692,587	
Net Pension Liability	(2,242,399)	
Deferred Inflows - Pension	(35,253)	
Total		(1,585,065)
Net Position of Governmental Activities		\$13,396,048
See accompanying notes to the basic financial statements		

City of St. Clairsville
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	General	Police	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$489,467	\$513,315	\$0	\$0	\$1,002,782
Income Taxes	715,631	0	715,629	0	1,431,260
Kilowatt per Hour Taxes	182,176	0	0	0	182,176
Charges for Services	0	50,692	0	109,738	160,430
Licenses and Permits	118,296	0	0	0	118,296
Fines and Forfeitures	45,958	0	0	3,696	49,654
Intergovernmental	171,425	74,721	22,000	246,190	514,336
Interest	35,962	0	0	416	36,378
Contributions and Donations	0	0	0	13,305	13,305
Other	29,035	3,324	6,542	26,175	65,076
<i>Total Revenues</i>	<u>1,787,950</u>	<u>642,052</u>	<u>744,171</u>	<u>399,520</u>	<u>3,573,693</u>
Expenditures					
Current:					
General Government:					
Legislative and Executive	584,774	0	0	0	584,774
Security of Persons and Property - Police	0	1,167,009	0	331	1,167,340
Public Health Services	33,268	0	0	0	33,268
Leisure Time Services	0	0	0	278,391	278,391
Community and Economic Development	29,096	0	0	1,694	30,790
Transportation	0	0	0	493,316	493,316
Capital Outlay	0	0	702,504	124,362	826,866
Debt Service:					
Principal Retirement	0	25,375	0	23,883	49,258
Interest and Fiscal Charges	0	2,516	0	3,004	5,520
Issuance Costs	0	0	0	2,475	2,475
<i>Total Expenditures</i>	<u>647,138</u>	<u>1,194,900</u>	<u>702,504</u>	<u>927,456</u>	<u>3,471,998</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,140,812</u>	<u>(552,848)</u>	<u>41,667</u>	<u>(527,936)</u>	<u>101,695</u>
Other Financing Sources (Uses)					
Refunding Bonds Issued	0	0	0	80,000	80,000
Premium on Bonds	0	0	0	7,530	7,530
Payment to Refunded Bond Escrow Agent	0	0	0	(85,055)	(85,055)
Transfers In	0	794,625	0	294,436	1,089,061
Transfers Out	(1,062,174)	0	0	(26,887)	(1,089,061)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,062,174)</u>	<u>794,625</u>	<u>0</u>	<u>270,024</u>	<u>2,475</u>
Net Change in Fund Balances	78,638	241,777	41,667	(257,912)	104,170
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>958,820</u>	<u>(14,161)</u>	<u>285,048</u>	<u>1,794,848</u>	<u>3,024,555</u>
<i>Fund Balances at End of Year</i>	<u>\$1,037,458</u>	<u>\$227,616</u>	<u>\$326,715</u>	<u>\$1,536,936</u>	<u>\$3,128,725</u>

See accompanying notes to the basic financial statements

City of St. Clairsville
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2016

Net Change in Fund Balances - Total Governmental Funds		\$104,170
<i>Amounts reported for governmental activities on the Statement of Activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, on the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
This is the amount by which depreciation exceeded capital outlay in the current year:		
Capital Asset Additions	148,458	
Depreciation	(781,281)	
Total		(632,823)
Capital contributions of assets that are not reported in the funds, but are additions to capital assets.		2,290,000
Revenues on the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds:		
Property Taxes	(9,090)	
Income Taxes	59,428	
Intergovernmental	(19,514)	
Total		30,824
Issuance of Debt is reported as other financing sources in the governmental funds, but the issuance increases long term liabilities on the statement of net position.		(80,000)
Refunding Bonds		(80,000)
Bond Premiums are reported as other financing sources in the governmental funds, but are allocated as an expense over the life of the bonds		
Premium on Bonds Issued		(7,530)
Bond insurance premiums are debt service expenditures in governmental funds when paid, but are reported as unamortized bond insurance premiums on the statement of net position, and are allocated as an expense over the life of the outstanding debt on the statement of activities		
Bond Insurance Paid		235
Payment to the refunded bond escrow agent is an other financing use in governmental funds, but the payment reduces long-term liabilities on the statement of net position.		
		85,055
Repayments of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
General Obligation Bonds	5,000	
OPWC Loans	18,883	
Capital Leases	25,375	
Total		49,258
Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in the governmental funds.		
Accrued Interest	1,233	
Amortization of Bond Premium	507	
Amortization of Bond Insurance Premium	(21)	
Amortization of Deferred amount on Refunding	(297)	
Total		1,422
Some expenses reported on the Statement of Activities such as compensated absences do not require the use of current financial resources, therefore are not reported as expenditures in governmental funds.		
		69,063
Contractually required contributions are reported as expenditures in the governmental fund; however, the Statement of Net Position reports these amounts as deferred outflows or a reduction in net pension liability.		
		167,888
Except for amounts reported as deferred inflows/outflows, changes in net position liability are reported as pension expense in the Statement of Activities.		
		(311,456)
Change in Net Position of Governmental Activities		\$1,766,106

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property Taxes	\$478,000	\$478,000	\$489,467	\$11,467
Income Taxes	743,871	743,871	698,073	(45,798)
Kilowatt per Hour Taxes	182,176	182,176	182,176	0
Licenses and Permits	126,591	126,591	118,797	(7,794)
Fines and Forfeitures	48,973	48,973	45,958	(3,015)
Intergovernmental	195,012	195,012	171,790	(23,222)
Interest	38,321	38,321	35,962	(2,359)
Other	30,940	30,940	29,035	(1,905)
Total Revenues	<u>1,843,884</u>	<u>1,843,884</u>	<u>1,771,258</u>	<u>(72,626)</u>
<u>Expenditures</u>				
Current:				
General Government:				
Legislative and Executive	625,821	778,850	590,821	188,029
Public Health Services	33,268	33,268	33,268	0
Community and Economic Development	14,429	14,429	12,992	1,437
Total Expenditures	<u>673,518</u>	<u>826,547</u>	<u>637,081</u>	<u>189,466</u>
Excess of Revenues Over Expenditures	<u>1,170,366</u>	<u>1,017,337</u>	<u>1,134,177</u>	<u>116,840</u>
<u>Other Financing Uses</u>				
Advances In	0	0	22,000	22,000
Transfers Out	(997,549)	(1,297,549)	(1,062,174)	235,375
Total Other Financing Uses	<u>(997,549)</u>	<u>(1,297,549)</u>	<u>(1,040,174)</u>	<u>257,375</u>
Net Change in Fund Balance	172,817	(280,212)	94,003	374,215
Fund Balance at Beginning of Year	<u>747,856</u>	<u>747,856</u>	<u>747,856</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$920,673</u></u>	<u><u>\$467,644</u></u>	<u><u>\$841,859</u></u>	<u><u>\$374,215</u></u>

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
Police Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property Taxes	\$562,300	\$562,300	\$513,315	(\$48,985)
Charges for Services	46,477	46,477	50,692	4,215
Intergovernmental	64,293	64,293	74,721	10,428
Other	0	0	3,324	3,324
	<u>673,070</u>	<u>673,070</u>	<u>642,052</u>	<u>(31,018)</u>
Total Revenues				
<u>Expenditures</u>				
Current:				
Security of Persons and Property - Police	1,309,000	1,309,000	1,146,552	162,448
Debt Service:				
Principal Retirement	29,000	28,284	25,375	2,909
Interest and Fiscal Charges	1,800	2,516	2,516	0
	<u>1,339,800</u>	<u>1,339,800</u>	<u>1,174,443</u>	<u>165,357</u>
Total Expenditures				
Excess of Revenues Under Expenditures	(666,730)	(666,730)	(532,391)	134,339
<u>Other Financing Sources</u>				
Transfers In	688,735	688,735	794,625	105,890
Net Change in Fund Balance	22,005	22,005	262,234	240,229
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$22,005</u>	<u>\$22,005</u>	<u>\$262,234</u>	<u>\$240,229</u>

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Fund Net Position
Proprietary Funds
December 31, 2016

	Water	Sewer	Light	Total Enterprise
<u>Assets</u>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$217,477	\$215,462	\$2,041,860	\$2,474,799
Cash and Cash Equivalents in Segregated Accounts	66,872	65,135	363,343	495,350
Accounts Receivable	66,607	64,897	380,693	512,197
Intergovernmental Receivable	100,000	200,000	0	300,000
Materials and Supplies Inventory	81,922	20,230	123,919	226,071
Unamortized Bond Insurance Premium	552	400	11,935	12,887
<i>Total Current Assets</i>	<u>533,430</u>	<u>566,124</u>	<u>2,921,750</u>	<u>4,021,304</u>
Non-Current Assets:				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	74,903	58,078	27,516	160,497
Nondepreciable Capital Assets	0	890,128	305,596	1,195,724
Depreciable Capital Assets, Net	4,101,172	7,166,429	4,877,267	16,144,868
<i>Total Non-Current Assets</i>	<u>4,176,075</u>	<u>8,114,635</u>	<u>5,210,379</u>	<u>17,501,089</u>
<i>Total Assets</i>	<u>4,709,505</u>	<u>8,680,759</u>	<u>8,132,129</u>	<u>21,522,393</u>
<u>Deferred Outflows of Resources</u>				
Deferred Charge on Refunding	11,177	8,641	157,775	177,593
Pension	183,055	173,903	201,361	558,319
<i>Total Deferred Outflows of Resources</i>	<u>194,232</u>	<u>182,544</u>	<u>359,136</u>	<u>735,912</u>
<u>Liabilities</u>				
Current Liabilities:				
Accounts Payable	3,579	3,560	358,068	365,207
Accrued Wages and Benefits Payable	4,468	5,389	4,858	14,715
Intergovernmental Payable	14,000	23,597	18,500	56,097
Accrued Interest Payable	544	435	11,793	12,772
Current Portion Compensated Absences Payable	466	1,454	1,960	3,880
Current Portion OPWC Loan Payable	2,626	21,517	0	24,143
Current Portion OWDA Loan Payable	0	100,678	0	100,678
Current Portion General Obligation Bonds Payable	10,000	35,000	225,000	270,000
<i>Total Current Liabilities</i>	<u>35,683</u>	<u>191,630</u>	<u>620,179</u>	<u>847,492</u>
Long-Term Liabilities (Net of Current Portion):				
Refundable Deposits Payable from Restricted Assets	74,903	58,078	27,516	160,497
Compensated Absences Payable	4,209	13,130	17,705	35,044
OPWC Loans Payable	25,113	171,307	0	196,420
OWDA Loans Payable	0	789,450	0	789,450
Intergovernmental Payable	0	34,450	0	34,450
General Obligation Bonds Payable	206,999	137,889	4,518,683	4,863,571
Net Pension Liability	480,943	456,896	529,037	1,466,876
<i>Total Long-Term Liabilities</i>	<u>792,167</u>	<u>1,661,200</u>	<u>5,092,941</u>	<u>7,546,308</u>
<i>Total Liabilities</i>	<u>827,850</u>	<u>1,852,830</u>	<u>5,713,120</u>	<u>8,393,800</u>
<u>Deferred Inflows of Resources</u>				
Pension	16,200	15,390	17,820	49,410
<u>Net Position</u>				
Net Investment in Capital Assets	3,868,703	6,809,757	608,890	11,287,350
Restricted for:				
Debt Service	0	0	47,548	47,548
Unrestricted	190,984	185,326	2,103,887	2,480,197
<i>Total Net Position</i>	<u>\$4,059,687</u>	<u>\$6,995,083</u>	<u>\$2,760,325</u>	<u>\$13,815,095</u>

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2016

	Water	Sewer	Light	Total Enterprise
<u>Operating Revenues</u>				
Charges for Services	\$865,651	\$840,486	\$5,284,530	\$6,990,667
Other	13,999	3,695	37,455	55,149
<i>Total Operating Revenues</i>	<u>879,650</u>	<u>844,181</u>	<u>5,321,985</u>	<u>7,045,816</u>
<u>Operating Expenses</u>				
Personal Services	543,091	673,093	656,199	1,872,383
Contractual Services	148,680	36,844	138,680	324,204
Purchased Power	0	0	3,776,196	3,776,196
Materials and Supplies	238,007	203,976	341,056	783,039
Depreciation	158,250	286,016	217,582	661,848
<i>Total Operating Expenses</i>	<u>1,088,028</u>	<u>1,199,929</u>	<u>5,129,713</u>	<u>7,417,670</u>
<i>Operating Income (Loss)</i>	<u>(208,378)</u>	<u>(355,748)</u>	<u>192,272</u>	<u>(371,854)</u>
<u>Non-Operating Expenses</u>				
Interest and Fiscal Charges	(2,034)	(7,053)	(49,344)	(58,431)
Bond Issuance Costs	(5,598)	(4,480)	(122,333)	(132,411)
<i>Total Non-Operating Expenses</i>	<u>(7,632)</u>	<u>(11,533)</u>	<u>(171,677)</u>	<u>(190,842)</u>
<i>Income (Loss) Before Contributions</i>	<u>(216,010)</u>	<u>(367,281)</u>	<u>20,595</u>	<u>(562,696)</u>
Capital Contributions	<u>237,969</u>	<u>355,815</u>	<u>99,772</u>	<u>693,556</u>
<i>Change in Net Position</i>	<u>21,959</u>	<u>(11,466)</u>	<u>120,367</u>	<u>130,860</u>
<i>Net Position Beginning of Year</i>	<u>4,037,728</u>	<u>7,006,549</u>	<u>2,639,958</u>	<u>13,684,235</u>
<i>Net Position End of Year</i>	<u>\$4,059,687</u>	<u>\$6,995,083</u>	<u>\$2,760,325</u>	<u>\$13,815,095</u>

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016

	Water	Sewer	Light	Total Enterprise
Increase (Decrease) in Cash and Cash Equivalents				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers	\$884,531	\$851,716	\$5,364,082	\$7,100,329
Cash Payments for Employee Services and Benefits	(515,419)	(640,117)	(628,986)	(1,784,522)
Cash Payments for Goods and Services	(408,663)	(263,774)	(529,453)	(1,201,890)
Cash Payments for Purchased Power	0	0	(3,700,000)	(3,700,000)
Utility Deposits Received	3,130	2,896	28,933	34,959
Utility Deposits Paid	(3,160)	(2,925)	(29,213)	(35,298)
Other Operating Revenues	13,999	3,695	37,455	55,149
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(25,582)</u>	<u>(48,509)</u>	<u>542,818</u>	<u>468,727</u>
<u>Cash Flows from Noncapital Financing Activities</u>				
Cash Received for Kilowatt per Hour Taxes	0	0	24,782	24,782
Cash Payments of Kilowatt per Hour Taxes	0	0	(24,782)	(24,782)
<i>Net Cash Provided by Noncapital Activities</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Payments for Capital Acquisitions	0	(890,128)	(144,479)	(1,034,607)
Capital Contributions	100,000	0	0	100,000
Refunding Bonds Issued	200,000	160,000	4,370,000	4,730,000
Premium on Refunding Bonds	18,061	14,191	440,180	472,432
Proceeds of OWDA Loans	0	890,128	0	890,128
Principal Paid on General Obligation Bonds	(10,000)	(25,000)	(250,000)	(285,000)
Principal Paid on OPWC Loans	(2,626)	(21,517)	0	(24,143)
Payment to Refunded Bond Escrow	(211,876)	(169,241)	(4,675,016)	(5,056,133)
Issuance Costs	(6,185)	(4,950)	(135,164)	(146,299)
Interest Paid on Debt	(8,041)	(10,699)	(165,165)	(183,905)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>79,333</u>	<u>(57,216)</u>	<u>(559,644)</u>	<u>(537,527)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	53,751	(105,725)	(16,826)	(68,800)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>305,501</u>	<u>444,400</u>	<u>2,449,545</u>	<u>3,199,446</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$359,252</u>	<u>\$338,675</u>	<u>\$2,432,719</u>	<u>\$3,130,646</u>

(Continued)

City of St. Clairsville
Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended December 31, 2016

	Water	Sewer	Light	Total Enterprise
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	(\$208,378)	(\$355,748)	\$192,272	(\$371,854)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Depreciation	158,250	286,016	217,582	661,848
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:				
Decrease in Accounts Receivable	18,880	11,230	79,552	109,662
(Increase) Decrease in Materials and Supplies Inventory	13,261	(2,265)	(46,437)	(35,441)
Decrease in Deferred Outflows of Resources - Pension	36,996	35,146	40,694	112,836
Increase (Decrease) in Accrued Wages and Benefits Payable	(376)	2,166	197	1,987
Increase (Decrease) in Accounts Payable	(7,373)	(14,092)	72,916	51,451
Increase (Decrease) in Compensated Absences Payable	(383)	315	(7,374)	(7,442)
Increase (Decrease) in Intergovernmental Payable	(22,748)	1,749	8,745	(12,254)
Decrease in Refundable Deposits Payable	(30)	(29)	(280)	(339)
Decrease in Net Pension Liability	(4,954)	(4,707)	(5,449)	(15,110)
Decrease in Deferred Inflows of Resources - Pension	(8,727)	(8,290)	(9,600)	(26,617)
Total Adjustments	182,796	307,239	350,546	840,581
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(\$25,582)</u>	<u>(\$48,509)</u>	<u>\$542,818</u>	<u>\$468,727</u>

Noncash Activities:

There was \$37,969 of Capital Contributions from Governmental Activities recorded in the Water Fund in 2016.
There was \$100,000 of Capital Contributions from intergovernmental receivable recorded in the Water Fund in 2016.
There was \$155,815 of Capital Contributions from Governmental Activities recorded in the Sewer Fund in 2016.
There was \$200,000 of Capital Contributions from intergovernmental receivable recorded in the Sewer Fund in 2016.
There was \$99,772 of Capital Contributions from Governmental Activities recorded in the Light Fund in 2016.

See accompanying notes to the basic financial statements

City of St. Clairsville
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2016

Assets

Equity in Pooled Cash and Cash Equivalents	\$3,457
Cash and Cash Equivalents in Segregated Accounts	<u>25,436</u>

<i>Total Assets</i>	<u><u>\$28,893</u></u>
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Liabilities

Undistributed Monies	<u>\$28,893</u>
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<i>Total Liabilities</i>	<u><u>\$28,893</u></u>
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See accompanying notes to the basic financial statements

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

The City of St. Clairsville (the “City”) is a body politic, incorporated as a village in 1801, and became a City on March 20, 1977. The City merged with St. Clairsville Township on January 1, 1994. The City is a charter municipal corporation, incorporated under the laws of the State of Ohio. The City operates under a “Mayor-Council-Manager” form of government. The Council and Mayor are elected. The Council appoints a Manager who is the Chief Administrative Officer of the City. The Finance Director is also appointed by Council.

Legislative power is vested in a seven member Council; three are elected at large and four are elected from wards established in the City. The Ward Council and At-Large Council members are elected at the regular City elections. The terms of the members are for four years, commencing at the first regular meeting in January following their election and continuing until their successors have been elected and sworn in.

The Mayor is elected at the regular City election and every fourth year thereafter. The Mayor serves a four year term. The Mayor, when authorized by Council, serves as judge and has all the judicial powers granted generally by the laws of Ohio to mayors of municipalities of St. Clairsville’s class. The President of Council presides at Council meetings but has no vote therein, unless there is a tie. In the event of a tie, the President of Council casts the tie breaking vote. The Mayor is the official and ceremonial head of the City government.

The City’s Manager (Service Director) is appointed by the Mayor, subject to a majority vote of Council, to an indefinite term, not to exceed the Mayor’s term. The Service Director may be removed from office by the Mayor, subject to the approval of two-thirds of the Council. The Service Director is responsible to Council for the administration of all affairs of the City and the enforcement of all laws and ordinances within the scope of the designated powers and duties of the office. The Service Director has the power to appoint, promote, transfer, reduce or remove, subject to the provisions of the Charter and enactments of Council, any officer or employee of the City, except those required by the Charter to be elected and those whose appointment or term of office may otherwise be provided for in the Charter.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading.

The primary government consists of all funds and departments that are not legally separate from the City. Services provided by the primary government include police, parks and recreation, cemetery, planning, zoning, street construction, maintenance and repair, water, sewer and electric services, and general administrative services. The operation of these activities is directly controlled by Council through the budgetary process. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt or the levying of taxes and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. The City has one blended component unit.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

The Community Improvement Corporation meets the blended component unit criteria of Governmental Accounting Standards Board (GASB) Statement Numbers. 14, 39, and 61, and is presented as a special revenue fund of the City accordingly.

The Community Improvement Corporation is a legally separate organization, which is governed by the voting membership. All members of the St. Clairsville City Council are voting members of the Community Improvement Corporation. The purpose of the Community Improvement Corporation is to provide economic development opportunities for the City. The City can impose its will on the Community Improvement Corporation, and has a financial benefit/burden relationship with the Community Improvement Corporation. In addition, the City provides management of the Community Improvement Corporation. The Community Improvement Corporation is a blended component unit of the City, and is reported as a special revenue fund. Separately issued financial statements can be obtained from the St. Clairsville Community Improvement Corporation.

The following potential component units have been excluded from the City's financial statements because the City is not financially accountable for them nor are these entities for which the City approves the budget, issues debt, or levies taxes:

St. Clairsville-Richland City School District
St. Clairsville Public Library
Belmont County Transportation Improvement District

The City is involved with the following organizations which are defined as jointly governed organizations. Additional financial information concerning the jointly governed organizations is presented in Note 17.

Ohio Mid-Eastern Governments Association (OMEGA)
Bel-O-Mar Regional Council
Memorial Park District of the City of St. Clairsville and Richland Township
Cumberland Trail Fire District
Belmont County Major Crime Unit (BCMCU)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the City's accounting policies are described below.

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

The Statement of Net Position presents the financial condition of the governmental and business-type activities of the City at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Police Fund The police special revenue fund is to account for the property taxes levied in the City for the operation of its Police Department.

Permanent Improvement Fund The permanent improvement capital projects fund is to account for income taxes, and transfers expended for the construction and repair/improvements of various City properties and facilities.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following is the City's proprietary fund type:

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The water, sewer and light funds are the City's major enterprise funds.

Water Fund The water fund accounts for the provision of water service to the residents and commercial users located within the City.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Light Fund The light fund accounts for revenues generated from charges for electric services provided to residential and commercial users of the City.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's two agency funds account for court collections that are distributed to various other subdivisions and City funds and employee medical savings.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e. expenses) in total net position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Fund Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of its proprietary fund activities.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: income taxes, charges for services, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, grants and entitlements, and rentals.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide Statement of Net Position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to the pension are explained in Note 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes, pension and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income tax revenue, licenses and permits, state-levied and locally shared taxes, and grants and entitlements. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 19. Deferred inflows of resources related to pension are reported on the government-wide Statement of Net Position. See Note 11 for more details.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

F. Budgetary Data

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level for all funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time the final appropriations were enacted by Council.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

The Community Improvement Corporation is a legally separate organization. Although the component unit is blended and presented as a special revenue fund, the City is not required to budget resources nor appropriate funds, and therefore budgetary information will not be presented.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

G. Pooled Cash and Cash Equivalents and Investments

To improve cash management, cash received by the City is pooled in a central bank account. Monies for all funds are maintained in this account or are temporarily used to purchase short term investments. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

During 2016, the City's investments were limited to nonnegotiable certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code and the City's investment policy and Charter. Interest revenue credited to the General Fund during 2016 amounted to \$35,962, which includes \$29,834 assigned from other City funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents.

H. Materials and Supplies Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed/expensed when used.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Customer deposits are classified as restricted assets on the Statement of Fund Net Position – Proprietary Funds because the deposit remains the property of the customer. The restricted asset account is balanced by a deposits held and due to others liability account. Restricted assets of the City also include unclaimed monies.

J. Receivables and Payables

Receivables and payables are recorded on the City's financial statements to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also, by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability.

K. Assets Held for Resale

As part of the economic development program, the Community Improvement Corporation has acquired land from the City. This property is intended to be sold to promote economic development within the City.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

L. Capital Assets

The City's only capital assets are general capital assets. General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of assets by back-trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their acquisition values as of the date received. The capitalization threshold is ten thousand dollars. The City does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental and Business Type Activities Estimated Lives
Land Improvements	20 Years
Building and Building Improvements	21-50 Years
Machinery and Equipment	5-40 Years
Vehicles	8-15 Years
Infrastructure	15-75 Years

The City's infrastructure consists of streets, sidewalks, storm sewers, water lines, sewer lines, street lights and traffic signals. For 2004, the City reported governmental activities infrastructure for the first time. The City only reports the amounts acquired after 2004.

M. Internal Balances

During the course of operations, transactions occur between individual funds for goods provided or services rendered. On fund financial statements, receivables and payables resulting from short-term and long-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities column of the Statement of Net Position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

N. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned, if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Sick leave benefits are accrued as a liability using the termination method. The City records a liability for accumulated unused sick leave for employees to the extent it is probable that the benefits will result in termination payments based upon an estimate of past experience of making termination payments for sick leave. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's union contracts.

The entire sick leave benefit liability is reported on the government-wide financial statements.

On the government fund financial statements, sick leave benefits are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured severance payable" in the fund from which the employee will be paid.

O. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds, capital leases, and long-term loans are recognized as a liability on the government fund financial statements when due.

P. Unamortized Bond Insurance Premiums, Bond Discounts, Bond Premiums, and Bond Issuance Costs

On the government wide financial statements, bond insurance premiums, bond premiums and bond discounts are amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. On the governmental fund financial statements bond insurance premiums, bond premiums, bond discounts and bond issuance costs are recognized in the period in which the bonds are issued.

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

Bond issuance costs are expensed in the funds in the period the bonds are issued.

Q. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Restricted: Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance or resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. For 2016, the City had a committed fund balance of \$379,909 to be used for the acquisition, construction or improvements of capital assets which includes the purchasing of motor vehicles and equipment pursuant to Ohio Revised Code 5705.13 (C).

Assigned: Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the City Council. In the general fund, assigned amounts represent intended uses established by the City Council or a City official delegated that authority by City charter, or ordinance, or by State Statute. State Statute authorizes the Director of Finance to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned: Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used

R. Net Position

Net Position represents the difference between all other elements in a statement of financial position. Net investments in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes are primarily for net position of the Miscellaneous Court/Safety Special Revenue Fund, and unclaimed monies. Of the restricted net position, none has resulted from enabling legislation.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

S. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewer, and electric services. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

T. Internal Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

U. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the current year.

V. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

W. Contributions of Capital

Contributions of capital arise from contributions from other funds, or from grants or outside contributions of resources restricted to capital acquisition and construction.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE

A. Change in Accounting Principle

For 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application," GASB Statement No 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68," GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," GASB Statement No. 79, "Certain External Investment Pools and Pool Participants," GASB Statement No. 77, "Tax Abatement Disclosures." and GASB Statement No. 82, "Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73."

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the City's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68. The implementation of this GASB pronouncement did not result in any changes to the City's financial statements.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the City's financial statements.

GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the City's 2016 financial statements; however, there was no effect on beginning net position/fund balance. For 2016, there are no abatements to disclose.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance and also establishes additional note disclosure requirements for governments that participate in those pools. The City participates in STAR Ohio which implemented GASB Statement No. 79 for 2016. The City incorporated the corresponding GASB 79 guidance into their 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the City's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

B. Restatement of Fund Balance

In the prior year, the Street Special Revenue Fund, and the Debt Service Fund had been reported as major funds. As of December 31, 2016, they will be presented as non-major funds. These restatements had no effect on the total beginning fund balance for governmental funds. The prior year fund balance is presented as a reconciling item in the table below for comparability between years.

	Street	Debt Service	Other Governmental Funds
Fund Balances, December 31, 2015	\$215,706	\$0	\$1,579,142
Restatement, Major Fund	(215,706)	0	215,706
Restated Fund Balances December 31, 2015	\$0	\$0	\$1,794,848

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements, appropriations and encumbrances.

The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual presented for the general fund and police major special revenue fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and the Police Special Revenue funds.

	General	Police
GAAP Basis	\$78,638	\$241,777
Revenue Accruals	(16,692)	0
Advances In	22,000	0
Expenditure Accruals	10,057	20,457
Budget Basis	\$94,003	\$262,234

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 5 - DEPOSITS AND INVESTMENTS

The City has chosen to follow State statute and classify monies held by the City into three categories.

Active deposits are public monies determined to be necessary to meet current demands upon the City treasury. Active monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies held by the City can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The City has passed an ordinance allowing the City to invest monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township or other political subdivision of this State, as to which there is no default of principal or coupons; and
3. Obligations of the City.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,511,864 of the City's bank balance of \$4,126,181 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the County. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes were levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by the State Law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 25 percent of true value. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2016, was \$12.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2016 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property	\$118,680,010
Public Utility Personal Property	1,023,780
Total Assessed Property Value	<u>\$119,703,790</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2016, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2016 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2016 consisted of taxes, payments in lieu of taxes, accounts (billings for user charged services including unbilled utility services), loans, and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered collectible in full. Delinquent accounts receivable may be certified and collected as a special assessment, subject to foreclosure for nonpayment. Except as noted below, all other receivables are expected to be collected within one year.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$8,848 may not be collected within one year.

In accordance with State law, the City has established a tax increment financing ordinance for parcels known as the St. Clair Commons, for which the City has granted property tax exemptions to construct certain infrastructure improvements. The improvements will be financed with bonds issued by the Columbus-Franklin Finance Authority (see Subsequent Event Note 19). The property owners have agreed to make payments to the City to reimburse annual debt service on the bonds, to and offset the affected school districts. The amount of those payments generally reflects all of the property taxes which the property owners would have paid if the improvements on the property had not been declared exempt. The property owners' contractual promise to make these payments in lieu of taxes will continue for the length of the agreement, which is not to exceed 30 years.

The other governmental funds reflect loans receivable of \$608,384. These loans receivable are for financing the rehabilitation of downtown local businesses for community and economic development. Of the total loans receivable, full amount is scheduled to be collected within one year.

A summary of the principal items of intergovernmental receivables is as follows:

Governmental Activities:

Local Government Funding	\$61,027
Homestead/Rollback Reimbursement	60,463
Motor Vehicle License and Gasoline Tax	<u>120,457</u>
Total Governmental Activities	<u><u>\$241,947</u></u>

Business-Type Activities:

Ohio Public Works Grant	\$200,000
State Appalachian Grant	<u>100,000</u>
Total Business-Type Activities	<u><u>\$300,000</u></u>

NOTE 8 - INCOME TAXES

The City levies an income tax of 0.75 percent on every individual taxpayer who resides in the City of St. Clairsville, as well as all non-resident individuals who receive net profits, salaries, wages, commissions or other personal service compensation for work done, or services performed or rendered inside of the City of St. Clairsville.

Residents of the City who receive net profits, salaries, wages, commissions or other personal service compensation for work done, or services performed or rendered outside of the City of St. Clairsville are allowed a credit for any income taxes assessed upon them by outside municipalities. The credit is for any income taxes paid to another municipality, up to fifty percent of the income tax assessed by the City of St. Clairsville.

The General Fund and the Permanent Improvement Fund each receive 50 percent of income tax revenues.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 9 - CAPITAL ASSETS

A summary of changes in capital assets during 2016 is as follows:

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
<u>Governmental Activities:</u>				
Non Depreciable Capital Assets:				
Land	\$1,360,478	\$0	\$0	\$1,360,478
Depreciable Capital Assets:				
Land Improvements	4,656,851	0	0	4,656,851
Buildings and Improvements	1,259,461	0	0	1,259,461
Machinery and Equipment	269,666	53,357	0	323,023
Infrastructure	16,671,379	2,290,000	0	18,961,379
Vehicles	680,808	95,101	0	775,909
Total Depreciable Capital Assets	23,538,165	2,438,458	0	25,976,623
Accumulated Depreciation:				
Land Improvements	(1,927,069)	(184,658)	0	(2,111,727)
Buildings and Improvements	(938,731)	(22,264)	0	(960,995)
Machinery and Equipment	(208,828)	(12,656)	0	(221,484)
Infrastructure	(11,224,558)	(524,026)	0	(11,748,584)
Vehicles	(530,925)	(37,677)	0	(568,602)
Total Accumulated Depreciation	(14,830,111)	(781,281)	0	(15,611,392)
Total Depreciable Capital Assets, Net	8,708,054	1,657,177	0	10,365,231
Governmental Type Capital Assets, Net	\$10,068,532	\$1,657,177	\$0	\$11,725,709

Depreciation expense was charged to governmental functions as follows:

<u>Governmental Activities:</u>	
General Government:	
Legislative and Executive	\$22,065
Leisure Time Activities	212,277
Security of Persons and Property:	
Police	14,395
Transportation	529,592
Community and Economic Development	2,952
Total Depreciation Expense	\$781,281

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
<u>Business Type Activities:</u>				
Non Depreciable Capital Assets:				
Land	\$305,596	\$0	\$0	\$305,596
Construction in Progress	0	890,128	0	890,128
Total Non Depreciable Capital Assets	<u>305,596</u>	<u>890,128</u>	<u>0</u>	<u>1,195,724</u>
Depreciable Capital Assets:				
Land Improvements	67,975	0	0	67,975
Buildings and Improvements	2,401,487	0	0	2,401,487
Machinery and Equipment	3,085,991	137,741	0	3,223,732
Infrastructure	22,964,887	0	0	22,964,887
Vehicles	895,679	300,294	0	1,195,973
Total Depreciable Capital Assets	<u>29,416,019</u>	<u>438,035</u>	<u>0</u>	<u>29,854,054</u>
Accumulated Depreciation:				
Land Improvements	(25,716)	(1,959)	0	(27,675)
Buildings and Improvements	(1,237,740)	(70,841)	0	(1,308,581)
Machinery and Equipment	(2,345,009)	(49,171)	0	(2,394,180)
Infrastructure	(8,835,692)	(480,808)	0	(9,316,500)
Vehicles	(603,181)	(59,069)	0	(662,250)
Total Accumulated Depreciation	<u>(13,047,338)</u>	<u>(661,848)</u>	<u>0</u>	<u>(13,709,186)</u>
Total Depreciable Capital Assets, Net	<u>16,368,681</u>	<u>(223,813)</u>	<u>0</u>	<u>16,144,868</u>
Business Type Capital Assets, Net	<u>\$16,674,277</u>	<u>\$666,315</u>	<u>\$0</u>	<u>\$17,340,592</u>

NOTE 10 - RISK MANAGEMENT

A. Property and Liability Insurance

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2016, the City contracted with the Scottsdale Insurance Company, and the Charter Oak Fire Insurance Company for property and inland marine coverage, for fleet insurance, and liability insurance. The Scottsdale Insurance Coverage and Charter Oak Fire Insurance Coverage, provided by the Travelers Property Casualty Company of America, are as follows:

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Building and Contents - replacement cost (\$5,000 deductible)	\$28,402,650
Flood Coverage (\$10,000 deductible)	5,000,000
Earthquake (\$25,000 deductible)	5,000,000
Crime:	
Employee Dishonesty	500,000
Automotive:	
Bodily Injury, Property Damage, etc. (each occurrence)	1,000,000
Uninsured Motorist	1,000,000
Medical Payments	5,000
General Liability:	
General Aggregate	2,000,000
Personal Injury / Advertising Injury	1,000,000
Limit Per Occurrence	1,000,000
Employers Stop Gap	1,000,000
Employee Benefits:	
Each Employee (\$1,000 deductible)	1,000,000
Aggregate	1,000,000
Public Officials Liability:	
Aggregate	1,000,000
Each Occurrence (\$5,000 deductible)	1,000,000
Law Enforcement Liability:	
Aggregate	1,000,000
Each Person / Occurrence (\$5,000 deductible)	1,000,000
Umbrella:	
Aggregate	5,000,000
Each Occurrence (\$10,00 deductible)	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. Law Enforcement Liability Coverage was reduced from \$5,000,000 per employee and aggregate to \$1,000,000.

B. Workers' Compensation

The City pays the State Workers' Compensation System a premium for employee injury coverage based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State Statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State Statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

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Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$208,441 for 2016. The full amount has been contributed for 2016.

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Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013, is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

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	Police
2016 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee	12.25 %
2016 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50
	19.50 %
Total Employer	19.50 %
Employee	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$86,596 for 2016. The full amount has been contributed for 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OP&F	
Proportion of the Net Pension Liability:			
Current Measurement Date	0.138830%	0.0202790%	
Prior Measurement Date	0.014317%	0.0193960%	
Change in Proportionate Share	0.1245130%	0.0008830%	
			Total
Proportionate Share of the Net Pension Liability	\$2,404,711	\$1,304,564	\$3,709,275
Pension Expense	\$325,012	\$184,702	\$509,714

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	OPERS	OP&F	Total
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$706,835	\$212,333	\$919,168
Changes in proportion and differences between City contributions and proportionate share of contributions	0	36,701	36,701
City contributions subsequent to the measurement date	208,441	86,596	295,037
 Total Deferred Outflows of Resources	 \$915,276	 \$335,630	 \$1,250,906
 Deferred Inflows of Resources			
Differences between expected and actual experience	(\$46,464)	(\$3,663)	(\$50,127)
Changes in proportion and differences between City contributions and proportionate share of contributions	(34,536)	0	(34,536)
 Total Deferred Inflows of Resources	 (\$81,000)	 (\$3,663)	 (\$84,663)

\$295,037 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2017	\$138,658	\$62,278	\$200,936
2018	149,958	62,278	212,236
2019	177,263	62,278	239,541
2020	159,956	50,120	210,076
2021	0	7,071	7,071
Thereafter	0	1,346	1,346
Total	\$625,835	\$245,371	\$871,206

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below.

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA:	4.25 to 10.05 percent including wage inflation
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
County's proportionate share of the net pension liability	\$3,831,292	\$2,404,711	\$1,201,435

Changes between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.

Actuarial Assumptions – OPF

OP&F's total pension liability as of December 31, 2015, is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent, simple

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2015, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Real Rate of Return**</u>	<u>30 Year Expected Real Rate of Return**</u>
Cash and Cash Equivalents	0.00 %	0.00 %	0.00 %
Domestic Equity	16.00	6.50	7.80
Non-US Equity	16.00	6.70	8.00
Core Fixed Income *	20.00	3.50	5.35
Global Inflation Protected Securities*	20.00	3.50	4.73
High Yield	15.00	6.35	7.21
Real Estate	12.00	5.80	7.43
Private Markets	8.00	9.50	10.73
Timber	5.00	6.55	7.35
Master Limited Partnerships	8.00	9.65	10.75
Total	<u>120.00 %</u>		

Note: Assumptions are geometric.

* levered 2x

** Numbers are net of expected inflation

City of St. Clairsville
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OP&F’s Board of Trustees has incorporated the “risk parity” concept into OP&F’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$1,720,543	\$1,304,564	\$952,186

Social Security System

Effective July 1, 1991, all employees not otherwise covered by a State Retirement System have an option to choose social security or the appropriate state system. The City's liability is 6.2 percent of wages paid. No employees have elected social security.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

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In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the County's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$34,740, \$35,187, and \$35,092, respectively. The full amount has been contributed for 2016, 2015 and 2014.

City of St. Clairsville
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B. Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by OPF. OPF provides health care benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OPF Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2016, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OPF Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contribution to OPF for the years ended December 31, 2015, 2014, and 2013 were \$88,875, \$89,286, and \$83,302, respectively, of which \$2,279, \$2,289, and \$2,131, respectively, was allocated to the healthcare plan. The full amount has been contributed for 2016, 2015 and 2014.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation time based on the length of service. Typically, vacation cannot be carried over; however, unforeseen circumstances may come into play and the supervisor may elect to permit an employee to carryover minimal vacation time. Sick leave is accumulated at a rate of 4.6 hours per each 80 hours worked. For employees that work less than a 40 hour work week, the sick leave accumulation is prorated based on 4.6 hours per 80 hours worked. All accumulated, unused vacation time and personal days are paid upon separation if the employee has acquired at least one year of service with the City. Upon separation, AFSCME members and non-union employees other than police, are paid for a maximum of 480 hours of accumulated sick time provided they have ten years of service with OPERS. Police are paid a maximum of 600 hours of accumulated sick time provided they have ten years of service with the City.

B. Insurances

The City provides medical/surgical and prescription drug insurance coverage for all eligible employees through the Health Plan of the Upper Ohio Valley. The monthly premium for medical/surgical and prescription drug coverage is \$794.53 for single plan and \$1,986.32 for a family plan. The Council pays 90 percent of the premiums. The City provides dental insurance coverage for all eligible employees through Delta Dental. The monthly premium for dental coverage is \$27.82 for a single plan, \$51.77 for a one dependent plan, and \$96.93 for a two or more dependent plan. The Council pays 100 percent of the premiums. The City provides vision insurance coverage for all AFSCME and FOP union employees through Vision Service Plan. The monthly premium for vision coverage is \$7.25; the Council pays 100 percent of the premiums. Elected officials and full time non-union employees may purchase vision insurance from Vision Service Plan at a premium of \$21.44 per month. The City provides a life insurance policy, in the amount of \$25,000, for all eligible employees through Anthem. The monthly premium for life insurance policy is \$9.75; the Council pays 100 percent of the premiums.

NOTE 14 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years the City entered into capitalized leases for vehicles. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds.

Vehicles acquired by lease have been capitalized in government wide statements governmental activities in the amount of \$68,042, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government wide statements governmental activities. Governmental activities capitalized leased assets are reflected net of accumulated depreciation in the amount of \$51,088. Principal payments towards capital leases during 2016 totaled \$25,375 for governmental activities.

Future minimum lease payments through 2017 are as follows:

Year	Governmental Activities	
	Principal	Interest
2017	\$13,342	\$867

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City during the year ended December 31, 2016 consisted of the following:

	Balance 12/31/2015	Additions	Reductions	Balance 12/31/2016	Due Within One Year
<u>Governmental Activities:</u>					
<i>General Obligation Bonds</i>					
<i>Various Purpose - 2007 \$6,995,000</i>					
Road Equipment - Serial/Term Bonds					
\$35,000 @ 4.0% to 5.5%	\$10,000	\$0	\$10,000	\$0	\$0
Recreational Facilities - Serial/Term Bonds					
\$75,000 @ 4.0% to 5.0%	75,000	0	75,000	0	0
<i>Refunding - 2016 \$4,810,000</i>					
Road Equipment - Serial Bonds					
\$5,000 @ 3.0%	0	5,000	0	5,000	5,000
Premium - \$146	0	146	73	73	0
Recreational Facilities - Serial/Term Bonds					
\$75,000 @ 2.0% to 4.0%	0	75,000	0	75,000	0
Premium - \$7,384	0	7,384	434	6,950	0
Total General Obligation Bonds	<u>85,000</u>	<u>87,530</u>	<u>85,507</u>	<u>87,023</u>	<u>5,000</u>
<i>OPWC Loans</i>					
Bett-Mar (CR10L)					
2008 - \$116,589 @ 0%	78,699	0	5,829	72,870	5,829
St. Clairsville Road Project (CR25M)					
2010 - \$98,372 @ 0%	73,778	0	4,919	68,859	4,919
Resurfacing 22 Roads (CR03N)					
2011 - \$76,320 @ 0%	61,056	0	3,816	57,240	3,816
Road Resurfacing (CR02Q)					
2014 - \$64,794	62,634	0	4,319	58,315	4,320
Total OPWC Loans	<u>276,167</u>	<u>0</u>	<u>18,883</u>	<u>257,284</u>	<u>18,884</u>
<i>Other Long-Term Obligations</i>					
<i>Net Pension Liability:</i>					
OPERS	673,447	264,388	0	937,835	0
OP&F	1,004,794	299,770	0	1,304,564	0
Net Pension Liability	<u>1,678,241</u>	<u>564,158</u>	<u>0</u>	<u>2,242,399</u>	<u>0</u>
Capital Leases	38,717	0	25,375	13,342	13,342
Compensated Absences	194,544	131,839	200,902	125,481	12,509
Total Governmental Activities	<u>\$2,272,669</u>	<u>\$783,527</u>	<u>\$330,667</u>	<u>\$2,725,529</u>	<u>\$49,735</u>

City of St. Clairsville
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For the Year Ended December 31, 2016

	<u>Balance</u> <u>12/31/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2016</u>	<u>Due Within</u> <u>One Year</u>
<u>Business-Type Activities:</u>					
<i>General Obligation Bonds</i>					
<i>Various Purpose - 2007 \$6,995,000</i>					
<i>Various Water System Improvements</i>					
\$255,000 @ 4.0% to 5.5%	\$210,000	\$0	\$210,000	\$0	\$0
Premium - \$8,123	5,523	0	5,523	0	0
<i>Various Sewer System Improvements</i>					
\$410,000 @ 4.0% to 5.5%	185,000	0	185,000	0	0
Premium - \$14,176	2,832	0	2,832	0	0
<i>Various Light System Improvements</i>					
\$6,015,000 @ 4.0% to 5.5%	4,720,000	0	4,720,000	0	0
Premium - \$143,952	93,521	0	93,521	0	0
<i>Refunding - 2016 \$4,810,000</i>					
<i>Water System Improvements</i>					
\$200,000 @ 2.0% to 4.0%	0	200,000	0	200,000	10,000
Premium - \$18,061	0	18,061	1,062	16,999	0
<i>Sewer System Improvements</i>					
\$160,000 @ 2.0% to 4.0%	0	160,000	0	160,000	35,000
Premium - \$14,191	0	14,191	1,302	12,889	0
<i>Light System Improvements</i>					
\$4,370,000 @ 2.0% to 4.0%	0	4,370,000	35,000	4,335,000	225,000
Premium - \$440,180	0	440,180	31,497	408,683	0
Total General Obligation Bonds	<u>5,216,876</u>	<u>5,202,432</u>	<u>5,285,737</u>	<u>5,133,571</u>	<u>270,000</u>
<i>OPWC Loans</i>					
<i>Belmont Drive Pump Station Replacement (CR20H)</i>					
2007 - \$73,774 @ 0.02%	45,961	0	3,592	42,369	3,592
<i>East Main Force Liner (CR23F)</i>					
2004 - \$214,890 @ 0.02%	101,848	0	11,107	90,741	11,107
<i>Watstewater System Repairs (CR13E)</i>					
2004 - \$133,216 @ 0.02%	66,532	0	6,818	59,714	6,818
<i>Water Transmission System (CR05H)</i>					
2006 - \$52,875 @ 0.02%	30,365	0	2,626	27,739	2,626
Total OPWC Loans	<u>244,706</u>	<u>0</u>	<u>24,143</u>	<u>220,563</u>	<u>24,143</u>
<i>OWDA Loan</i>					
<i>WWTP Iprovements (7233)</i>					
2016 - \$2,000,000 @ 2.710%	0	890,128	0	890,128	100,678

(Continued)

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

	Balance 12/31/2015	Additions	Reductions	Balance 12/31/2016	Due Within One Year
Belmont County					
Intergovernmental Payable	47,644	0	6,597	41,047	6,597
Compensated Absences	46,366	74,164	81,606	38,924	3,880
Net Pension Liability - OPERS:					
Water	345,358	135,585	0	480,943	0
Sewer	328,090	128,806	0	456,896	0
Light	379,894	149,143	0	529,037	0
Total Net Pension Liability - OPERS	1,053,342	413,534	0	1,466,876	0
Total Business-Type Activities	<u>\$6,608,934</u>	<u>\$6,580,258</u>	<u>\$5,398,083</u>	<u>\$7,791,109</u>	<u>\$405,298</u>

Governmental Activities

2007 Various Purpose General Obligation Bonds - On April 26, 1997 the City issued \$6,995,000 of general obligation bonds which included serial and term bonds in the amount of \$5,025,000 and \$1,970,000, respectively. The bonds were issued for a twenty-five year period with final maturity at December 1, 2032. The bonds were issued with a premium of \$166,251, which is reported as an increase to bonds payable for business-type activities. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method, which approximates the effective interest method. A breakdown of the business-type portion of this bond issue is addressed as follows in the business type activity portion of this note. The bonds were partially refunded with the issuance of the 2016 Refunding Bonds. The scheduled 2016 debt service payments were made and the remaining bonds of the 2007 Various Purpose issue were advance refunded. On December 1, 2016 the remaining bonds were called and fully repaid.

2016 Refunding Bonds – On July 13, 2016 the City issued \$4,810,000 of general obligation refunding bonds which included serial and term bonds in the amount of \$3,245,000 and \$1,565,000, respectively. These bonds were issued to partially refund the 2007 Various Purpose Bonds, as well as pay the costs of issuance of these bonds for governmental and business type activities in the amounts of \$80,000 (\$45,000 serial bonds and \$35,000 term bonds) and \$4,865,000 (\$3,235,000 serial bonds and \$1,630,000 term bonds), respectively. The bonds were issued at a premium of \$7,530 for governmental activities, and \$472,432 for business type activities, which is reported as an increase to bonds payable. This amount is being amortized to interest expense over the life of the bonds using the straight-line method. The bonds are insured, and the cost of the bond insurance is reported as Unamortized Bond Insurance Premiums and will be amortized over the life of the bonds. The value of the insurance was \$14,123 (\$235 governmental activities and \$13,888 business type activities). The 2016 amortization of this was \$21 for governmental activities and \$1,001 for business type activities. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$5,055 for governmental activities and \$191,133 for business type activities which is reported as a deferred charge on refunding, and amortized over the remaining life of the refunded bonds. The 2016 amortization of this was \$297 for governmental activities and \$13,540 for business type activities. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$761,599 (\$13,363 for governmental activities and \$748,236 for business type activities). The issuance resulted in an economic gain of \$663,233 (\$11,661 for governmental activities and \$651,572 for business type activities). A breakdown of the business-type portion of this bond issue is addressed as follows in the business type activity portion of this note.

The governmental debt service requirements are as follows:

City of St. Clairsville
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For the Year Ended December 31, 2016

Year Ending December 31,	Serial / Term Bonds		Total
	Principal	Interest	
2017	\$5,000	\$2,600	\$7,600
2018	5,000	2,450	7,450
2019	5,000	2,300	7,300
2020	5,000	2,150	7,150
2021	5,000	2,000	7,000
2022-2026	25,000	7,000	32,000
2027-2031	25,000	2,850	27,850
2032	5,000	150	5,150
Total	\$80,000	\$21,500	\$101,500

OPWC Loans – The City has entered into OPWC Loans for various road projects. These loans will be paid with gasoline and motor vehicle license tax money. These OPWC Loans are interest free.

The OPWC loan debt service requirements to maturity are as follows:

Year Ending December 31,	Principal
2017	\$18,884
2018	18,884
2019	18,884
2020	18,884
2021	18,884
2022-2026	94,417
2027-2031	68,447
Total	\$257,284

Business-Type Activities

2007 Various Purpose General Obligation Bonds - On April 26, 1997 the City issued \$6,995,000 of general obligation bonds which included serial and term bonds in the amount of \$5,025,000 and \$1,970,000, respectively. The bonds were issued for a twenty-five year period with final maturity at December 1, 2032. The bonds were issued with a premium of \$166,251, which is reported as an increase to bonds payable for business-type activities. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method, which approximates the effective interest method. A breakdown of the governmental activities portion of this bond issue is previously addressed in the governmental activities portion of this note. The bonds were partially refunded with the issuance of the 2016 Refunding Bonds. The scheduled 2016 debt service payments were made and the remaining bonds of the 2007 Various Purpose issue were advance refunded. On December 1, 2016 the remaining bonds were called and fully repaid.

2016 Refunding Bonds – On July 13, 2016 the City issued \$4,810,000 of general obligation refunding bonds which included serial and term bonds in the amount of \$3,245,000 and \$1,565,000, respectively. These bonds were issued to partially refund the 2007 Various Purpose Bonds, as well as pay the costs of issuance of these

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

bonds for governmental and business type activities in the amounts of \$80,000 (\$45,000 serial bonds and \$35,000 term bonds) and \$4,865,000 (\$3,235,000 serial bonds and \$1,630,000 term bonds), respectively. The bonds were issued at a premium of \$7,530 for governmental activities, and \$472,432 for business type activities, which is reported as an increase to bonds payable. This amount is being amortized to interest expense over the life of the bonds using the straight-line method. The bonds are insured, and the cost of the bond insurance is reported as Unamortized Bond Insurance Premiums and will be amortized over the life of the bonds. The value of the insurance was \$14,123 (\$235 governmental activities and \$13,888 business type activities). The 2016 amortization of this was \$21 for governmental activities and \$1,001 for business type activities. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$5,055 for governmental activities and \$191,133 for business type activities which is reported as a deferred charge on refunding, and amortized over the remaining life of the refunded bonds. The 2016 amortization of this was \$297 for governmental activities and \$13,540 for business type activities. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$761,599 (\$13,363 for governmental activities and \$748,236 for business type activities). The issuance resulted in an economic gain of \$663,233 (\$11,661 for governmental activities and \$651,572 for business type activities). A breakdown of the governmental activities portion of this bond issue is previously addressed in the governmental activities portion of this note.

The business-type debt service requirements are as follows:

Year Ending December 31,	Serial / Term Bonds		Total
	Principal	Interest	
2017	\$270,000	\$155,450	\$425,450
2018	280,000	147,350	427,350
2019	295,000	138,950	433,950
2020	300,000	130,100	430,100
2021	320,000	121,100	441,100
2022-2026	1,695,000	126,100	1,821,100
2027-2031	1,030,000	126,100	1,156,100
2032	505,000	22,950	527,950
Total	<u>\$4,695,000</u>	<u>\$968,100</u>	<u>\$5,663,100</u>

OPWC Loans – The City has entered into OPWC Loans for various wastewater and water system projects. The OPWC loans will be paid from revenues derived from charges for services in the enterprise funds. These OPWC loans have a 0.02 percent interest rate.

The OPWC loan debt service requirements to maturity are as follows:

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Year Ending December 31,	Principal	Interest	Total
2017	\$24,143	\$4,287	\$28,430
2018	25,611	3,793	29,404
2019	25,629	3,288	28,917
2020	26,145	2,772	28,917
2021	26,670	2,247	28,917
2022-2026	90,138	3,887	94,025
2027	2,227	21	2,248
Total	<u>\$220,563</u>	<u>\$20,295</u>	<u>\$240,858</u>

OWDA Loan – The City has received an OWDA Loan to finance a Wastewater Treatment Plant Improvement Project. The loan has been approved for \$2,000,000, with a repayment schedule not to exceed twenty years. As of December 31, 2016, the City has drawn down \$890,128 of the available funding. The OWDA loan will be paid from revenues derived from charges for services in the Sewer Fund. The OWDA loan has a 2.71 percent interest rate. A final amortization schedule will not be provided until the project is completed by the City.

The estimated loan debt service requirements to maturity are as follows:

Year Ending December 31,	Principal	Interest	Total
2017	\$100,678	\$53,253	\$153,931
2018	103,424	50,776	154,200
2019	106,246	47,954	154,200
2020	109,145	45,055	154,200
2021	112,123	42,077	154,200
2022-2026	608,204	162,796	771,000
2027-2031	695,827	75,173	771,000
2032-2036	164,353	3,624	167,977
Total	<u>\$2,000,000</u>	<u>\$480,708</u>	<u>\$2,480,708</u>

Belmont County Intergovernmental Payable – In prior years, the City and Belmont County approved an agreement for the City to pay 7.33 percent of the costs of Belmont County’s Water Works System #3, Phase I Project, in return for the City to have access to an emergency water supply. The City’s repayment schedule for the project is as follows.

City of St. Clairsville
Notes to the Basic Financial Statements
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<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>
2017	\$6,597
2018	6,597
2019	6,597
2020	6,963
2021	6,963
2022	7,330
Total	<u><u>\$41,047</u></u>

As of December 31, 2016, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$12,568,898, with an unvoted debt margin of \$6,583,708.

The outstanding debt is ultimately secured by the City's ability to levy, and its pledge to levy, an ad valorem tax on all the taxable property in the City within the ten-mill limitation in sufficient amount to pay, as the same become due, the debt service on the debt as well as the debt service on all other outstanding unvoted general obligation bonds and bond anticipation notes of the City.

Capital leases will be paid from the Police Special Revenue Fund.

Compensated absences will be paid from the fund from which the employees' salaries are paid.

There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General Fund, Police Fund, Street Fund, Recreation Fund, Water Fund, Sewer Fund, and Light Fund. For additional information related to the net pension liability see Note 11.

NOTE 16 - INTERFUND ACTIVITY

Interfund Balances

Interfund balances at December 31, 2016 consisted of the following individual interfund receivables and payables:

<u>Interfund Payable</u>	<u>Interfund Receivable</u>
Other Non-Major	<u>General</u>
Governmental Funds	<u><u>\$68,561</u></u>

The amount due to the General Fund from other non-major governmental funds relates to property tax payments made by the City on behalf of the Community Improvement Corporation, which is reported as a non-major special revenue fund.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2016, consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>		<u>Total</u>
	<u>Major Funds</u> General	<u>Other Non-Major</u> Governmental Funds	
Major Funds:			
Police	\$794,625	\$0	\$794,625
Other Non-Major			
Governmental Funds	267,549	26,887	294,436
	<u>\$1,062,174</u>	<u>\$26,887</u>	<u>\$1,089,061</u>

The transfers from the General Fund to the Police and to the Other Non-Major Governmental funds were made to provide additional operating resources for City programs. Additional transfers between Other Non-Major Governmental Funds were made for annual debt service payments on outstanding long-term obligations.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Mid-Eastern Governments Association (OMEGA)

The Ohio Mid-Eastern Governments Association (OMEGA) is a ten-county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas Counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application of Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a twenty-one member executive board comprised of members appointed from each participating county and the cities within each county. City membership is voluntary. The mayor of the City of St. Clairsville serves as the City's representative on the Board. The board exercises total control over the operations of the OMEGA including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. Each member currently pays a per capita membership fee based upon the most recent United States census. During 2016, the City made no contributions to OMEGA. OMEGA has no outstanding debt. Information can be obtained from 326 Highland Avenue, PO Box 130, Cambridge, Ohio 43725.

B. Bel-O-Mar Regional Council

Bel-O-Mar Regional Council is operated as a non-profit organization formed to provide planning and administrative services to all local governments in a four county region comprised of Belmont County and three counties in West Virginia. The governing board is comprised of 46 officials from the four county service area of which five are appointed by Belmont County. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Council. The City contributed \$1,711 to the Council during 2016.

C. Memorial Park District of the City of St. Clairsville and Richland Township

The Memorial Park District was created by a resolution of both the City of St. Clairsville and Richland Township under the authority of Ohio Revised Code Section 1545. The Park District is operated by a five member board. Two members are appointed by St. Clairsville City Council, two members are appointed by Richland Township

City of St. Clairsville
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Trustees, and one member is appointed by the Belmont County probate court judge. The City cannot influence the Park Districts operation. The Memorial Park District hires and fires its own staff and does not rely on the City to finance deficits. The City is not financially accountable for the Park District nor is the Park District financially dependent on the City. The Park District serves as its own budgeting, taxing and debt issuance authority.

D. Cumberland Trail Fire District

The Cumberland Trail Fire District was created by a resolution of both the City of St. Clairsville and Richland Township under the authority of Ohio Revised Code Section 505.371. The Fire District is operated by a four member board. One member is appointed by the City, one member is appointed by Richland Township, and the remaining two members are appointed by the existing board members. The Cumberland Trail Fire District hires and fires its own staff and does not rely on the City to finance deficits. The City is not financially accountable for the Fire District nor is the Fire District financially dependent on the City. The Fire District serves as its own budgeting, taxing and debt issuance authority.

E. Belmont County Major Crime Unit

The Belmont County Major Crimes Unit (BCMCU) was created by a resolution and an agreement between Belmont County Sheriff's Office, the police departments of the City of St. Clairsville, the City of Martins Ferry, and all the villages located in Belmont County under the authority of Ohio Revised Code sections 311.07, 505.43, and 737.04. The Belmont County Sheriff serves as the director of the BCMCU. The BCMCU is governed by an Advisory Board consisting of the Belmont County Sheriff, the Belmont County Prosecutor, and the chief of police of each participating political subdivision. Each participant's degree of control is limited to its representation on the Board. All participating agencies agree that any mandatory fines collected shall be placed in an indemnity fund, administered by the Belmont County Sheriff's Office. The indemnity fund shall be used to subsidize the cost of BCMCU investigations. The City made no contributions to BCMCU during 2016.

NOTE 18 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2016.

B. Litigation

The City is currently party to legal proceedings. The City management is of the opinion that the disposition of claims will not have a material effect, if any, on the financial condition of the City.

C. Component Unit Tax-Exempt Status

On March 18, 2013 the City was notified that effective May 15, 2012, the Internal Revenue Service revoked the Community Improvement Corporation's status as a tax-exempt organization.

City of St. Clairsville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

D. Paid Up Oil/Gas Lease

Rice Drilling D LLC - The City has entered into a “Paid-Up” Oil and Gas Lease with Rice Energy D LLC for 170.43 acres of property owned by the City, and is effective September 16, 2014 for a five year period. In consideration of the execution of the lease, the City received a signing bonus in the amount of \$1,474,252 on January 21, 2015. The lease calls for payments to the City, in addition to the bonus, royalties in the amount of 20 percent for all oil and other liquid hydrocarbons and by-products produced and saved from the land, and all gas and other hydrocarbons and by-products. The total carrying value of the land leased is \$1,086,768. As of the date of the financial statements, the value of any potential royalties cannot be determined, and the City has not received any compensation beyond the bonus.

NOTE 19 - SUBSEQUENT EVENTS

A. Tax Increment Financing Bond Issue

On April 13, 2017, the Columbus-Franklin Finance Authority issued \$2,335,000 of tax-exempt Development Revenue Bonds for the St. Clair Commons Public Infrastructure Project. The Bonds were issued as term bonds with an interest rate of 3.25 percent, and final maturity in 2036. The Bonds are to be repaid using portions of the service payments received by the City from the developer’s payments in lieu of taxes.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

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City of St. Clairsville
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Three Years (1) *

	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's Proportion of the Net Pension Liability	0.1388300%	0.0143170%	0.0143170%
City's Proportionate Share of the Net Pension Liability	\$2,404,711	\$1,726,789	\$1,687,788
City's Covered Payroll	\$1,759,371	\$1,755,358	\$1,763,231
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	136.68%	98.37%	95.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.00%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added for each year.

* Amounts presented for each year were determined as of the City's measurement date which is the prior fiscal year end.

City of St. Clairsville
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Police and Fire Pension Fund
Last Three Years (1) *

	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's Proportion of the Net Pension Liability	0.0202790%	0.0193960%	0.0193960%
City's Proportionate Share of the Net Pension Liability	\$1,304,564	\$1,004,794	\$944,646
City's Covered Payroll	\$457,877	\$427,216	\$406,739
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	284.92%	235.20%	232.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.00%	72.20%	73.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added for each year.

* Amounts presented for each year were determined as of the City's measurement date which is the prior fiscal year end.

City of St. Clairsville
Required Supplementary Information
Schedule of City Contributions
Ohio Public Employees Retirement System - Traditional Plan
Last Four Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$208,441	\$211,125	\$210,643	\$229,220
Contributions in Relation to the Contractually Required Contribution	<u>(208,441)</u>	<u>(211,125)</u>	<u>(210,643)</u>	<u>(229,220)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$1,737,008	\$1,759,371	\$1,755,358	\$1,763,231
Contributions as a Percentage of Covered Payroll	12.00%	12.00%	12.00%	13.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2013 is not available. An additional column will be added for each year.

City of St. Clairsville
Required Supplementary Information
Schedule of City Contributions
Ohio Police and Fire Pension Fund
Last Ten Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$86,596	\$86,997	\$81,171	\$64,604
Contributions in Relation to the Contractually Required Contribution	<u>(86,596)</u>	<u>(86,997)</u>	<u>(81,171)</u>	<u>(64,604)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$455,768	\$457,877	\$427,216	\$406,739
Contributions as a Percentage of Covered Payroll:	19.00%	19.00%	19.00%	15.88%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$54,882	\$51,734	\$54,709	\$62,025	\$61,139	\$57,317
<u>(54,882)</u>	<u>(51,734)</u>	<u>(54,709)</u>	<u>(62,025)</u>	<u>(61,139)</u>	<u>(57,317)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$430,447	\$405,757	\$429,090	\$486,471	\$479,522	\$449,545
12.75%	12.75%	12.75%	12.75%	12.75%	12.75%

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Julian & Grube, Inc.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

City of St. Clairsville
Belmont County
100 North Market Street
St. Clairsville, Ohio 43950

To the Members of Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Clairsville, Belmont County, Ohio as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of St. Clairsville's basic financial statements and have issued our report thereon dated June 22, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City of St. Clairsville's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City of St. Clairsville's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City of St. Clairsville's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider significant deficiencies. We consider findings 2016-001 and 2016-002 to be significant deficiencies.

Members of Council and Mayor
City of St. Clairsville

Compliance and Other Matters

As part of reasonably assuring whether the City of St. Clairsville's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2016-003 and 2016-004.

City of St. Clairsville Response to Findings

The City of St. Clairsville's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City of St. Clairsville's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City of St. Clairsville's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City of St. Clairsville's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
June 22, 2017

**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2016-001

Significant Deficiency - Bank Reconciliations

Bank reconciliations are a critical internal control of any entity. Bank reconciliations help ensure accurate and timely financial information.

The City's Mayor's Court bank reconciliation was not completed for 2016. The City's Utility Department bank reconciliations were not completed timely for 2016.

Without completing or timely completing monthly bank reconciliations and submitting for approval, the City is at risk for inaccurate financial reporting and/or misappropriation of assets.

We recommend bank reconciliations be performed by the Mayor's Court Clerk beginning 2017. We recommend the reconciliation be completed to a common monthly unknown balance, which is then investigated by the Mayor's Court Clerk and the Mayor for any disposition of difference. We recommend the utility account bank reconciliation continue to be performed timely and the consistent differences known be evaluated for disposition approved by the Utility Board.

Client's Response: The Mayor and Mayor's Court Clerk and Utility Supervisor will work to provide a sound fiscal environment by timely performing bank reconciliations and submitting them to the proper officials for approval.

Finding Number	2016-002
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Significant Deficiency - Recreation Department Receipts

Maintaining accurate financial receipts is an integral part of the City's Recreation Department operations.

The City maintains a computer software system relevant to recreation activities. This system has the capability of tracking and summarizing daily financial activity.

Lack of internal controls to incorporate this operational software to support the departments financial receipts could put the City in risk of misappropriation of assets.

We recommend the City implement additional internal controls to incorporate the recreation software as a tool for both summarized data and provide additional detailed support for the collection of receipts.

Client's Response: The City will either implement additional internal controls themselves or consider having a consulting firm to help develop additional operational controls for the Recreation Department that utilizes its current software package.

**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2016-003

Noncompliance - Mayor's Court

Ohio Revised Code Section 2949.091 states in part that all money collected during a month and owed to the state shall be transmitted on or before the twentieth day of the following month by the clerk of courts to the treasurer of the state.

The Mayor's Court Clerk did not transmit money timely to the treasurer of state for most of 2016. This appears to be consistent with 2015 and certain years prior appear to be still not submitted.

The City's Mayor's Court should implement additional appropriate procedures to help ensure that the Mayor's Court Clerk accurately, completely, and timely transmits to the state on or before the twentieth day of the month all money collected during the previous month.

Client's Response: The Mayor and the Mayor's Court will work diligently to have 2017 submissions timely, and have any prior year unremitted amounts due to the state remitted by the end of year 2017. This will be in conjunction with the reconciling of the bank statements.

Finding Number	2016-004
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Noncompliance - Mayor's Court Docket and Disposition of Fines and Other Monies

Ohio Revised Code Section 1905.21 states that the Mayor of a municipal corporation and a Mayor's Court Magistrate shall keep a docket. The Mayor or Mayor's Court Magistrate shall account for and dispose of all such fines, forfeitures, fees, and costs collected. Ohio Revised Code Section 733.40 states that all money collected shall be paid by the Mayor into the municipality on the first Monday of each month. At the first regular meeting of the legislative authority each month, the Mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the City.

The Mayor did not keep a complete docket. Furthermore, the Mayor did not submit monthly reports to the legislative authority nor did they submit money to the Fiscal Office timely.

The City's Mayor's Court should implement additional appropriate procedures to ensure the maintenance of an accurate and complete docket, cashbook and case files. Furthermore, the Mayor's Court Clerk should account for all monies collected and remit them timely to the City.

Client's Response: The Mayor and Mayor's Court Clerk will work to implement additional controls to help ensure better accountability of Mayor's Court dispositions of fines issued.

**CITY OF ST. CLAIRSVILLE
BELMONT COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or <u>Finding No Longer Valid; Explain:</u>
2015-001	<u>Material Weakness</u> - All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices. Certain department bank reconciliations were not completed.	No	Partially corrected - See Finding Number 2016-001
2015-002	<u>Significant Deficiency</u> - The City's receipts and disbursements were not always posted into accurate classifications nor were all receipts and expenditures posted to the accounting system.	Yes	N/A

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Dave Yost • Auditor of State

CITY OF ST. CLAIRSVILLE

BELMONT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 10, 2017**